GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2999
ANSWERED ON:12.08.2005
CREDIT TO INFORMAL SECTOR
Reddy Shri Magunta Sreenivasulu

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that a major problem in all developing countries is that the formal banking system is ill-equipped to meet the credit needs of the informal sector; and

(b) if so, the measures being taken by the Government to provide credit to informal sector?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S. S. PALANIMANICKAM)

(a)&(b): While no specific information is available about the formal banking system in developing countries being ill-equipped to meet the credit needs of the informal sector, in India there are various Central Government Sponsored Schemes (CGSSs), being implemented through the banks, which provide access to credit to the informal sector. These schemes have a subsidy component from the Government and a loan component from the banks. These include the Swarnjayanti Gram Swarozgar Yojana (SGSY) for the rural poor, Swarna Jayanti Shahari Rozgar Yojana (SJSRY) for the urban poor, Scheme for Liberation and Rehabilitation of Scavengers (SLRS) for those who are engaged in scavenging and Prime Minister`s Rozgar Yojana (PMRY) for the educated un-unemployed youth. Banks also extend finance to the poorest of the poor under the Differential Rate of Interest Scheme (DRI), which involves interest subsidy. Banks are also implementing the Kisan Credit Card (KCC) scheme for the farmers. Apart from this, banks also lend under various microfinance models to the Self Help Goups (SHGs). As on 31st March 2005, 16.18 lakhs SHGs have been linked to banks and the total credit flow to these SHGs was Rs.6898 crores.